

STATE BUDGET AND CONTROL BOARD

REGULAR SESSION

MEETING OF January 31, 2008

ITEM NUMBER 1

AGENCY: Office of State Budget

SUBJECT: Clemson University Research Infrastructure Project

The South Carolina Centers of Economic Excellence Review Board has certified Clemson University for \$5,000,000 in general obligation debt to be issued under the South Carolina Research University Infrastructure Act toward the cost of a total \$10,300,000 infrastructure project. The Act requires the Review Board to certify that at least 50% of the cost of each research infrastructure project is being provided by private, federal, municipal, county or other local government sources. The Clemson research infrastructure project, known as the Innovation Center at Clemson Research Park, consists of the following aspects that were certified by the Review Board for funding or as part of the required match:

- a) a 28,000 square foot mixed use research and development facility, known as the Innovation Center Phase I, which will contain a mixture of laboratory and office space designed to house high technology startup companies, to be constructed by Clemson at a total cost of \$6 million and funded with \$5,000,000 in state Research University Infrastructure Bonds and \$1,000,000 in private funds provided by AdvanceSC. Phase I consists of the construction of the shell building and the upfit of approximately 5,000 square feet of the building to accommodate the first two occupants;
- b) a 25,000 square foot limited access research facility, known as the South Carolina Research Authority building, to be constructed by the Research Authority at a cost of no less than \$4,300,000, providing a part of the required 50% match. Clemson will ground lease approximately 1.0 acre of land to the Research Authority for \$1.00 per year for 50 years for construction of this facility;
- c) a grant of \$1,000,000 from AdvanceSC for construction of the Clemson University Innovation Center, providing a part of the required 50% match (see a above);
- d) a pledge of \$1,000,000 from the Duke Energy Foundation, contingent on approval of the \$5 million in Research University Infrastructure bonds for construction of the center, to be used to provide support for personnel for the Innovation Center, providing a part of the required 50% match.

The Budget and Control Board is asked to approve the following: 1) approve Clemson's research university infrastructure project known as the Innovation Center at Clemson Research Park; and 2) approve the establishment of a permanent improvement project, H12 - 9883,

AGENCY: Office of State Budget

SUBJECT: Clemson University Research Infrastructure Project

Research Park Innovation Center Construction Phase I, for \$6 million to be funded with \$5 million in Research University Infrastructure Bonds and \$1 million in private funds. The project was approved by the Joint Bond Review Committee at its meeting on January 24, 2008.

BOARD ACTION REQUESTED:

Approve Clemson University's research university infrastructure project known as the Innovation Center at Clemson Research Park and approve the establishment of a permanent improvement project, H12-9883, Research Park Innovation Center Construction Phase I, for \$6 million to be funded with \$5 million in Research University Infrastructure Bonds and \$1 million in private funds.

ATTACHMENTS:

Agenda item worksheet; Letter to Governor; Centers of Economic Excellence Review Board Certification and Statement; Exhibit C Showing Cost and Match Components; Additional Annual Operating Costs

BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET

Meeting Scheduled for: January 31, 2008

Regular Agenda

1. Submitted By:

- (a) Agency: Office of State Budget
- (b) Authorized Official Signature:



Les Boles, Director

2. Subject: Clemson University Research Infrastructure Project

3. Summary Background Information:

The South Carolina Centers of Economic Excellence Review Board has certified Clemson University for \$5,000,000 in general obligation debt to be issued under the South Carolina Research University Infrastructure Act toward the cost of a total \$10,300,000 infrastructure project. The Act requires the Review Board to certify that at least 50% of the cost of each research infrastructure project is being provided by private, federal, municipal, county or other local government sources. The Clemson research infrastructure project, known as the Innovation Center at Clemson Research Park, consists of the following aspects that were certified by the Review Board for funding or as part of the required match:

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The Budget and Control Board is asked to approve the following: 1) approve Clemson's research university infrastructure project known as the Innovation Center at Clemson Research Park; and 2) approve the establishment of a permanent improvement project, H12 - 9883, Research Park Innovation Center Construction Phase I, for \$6 million to be funded with \$5 million in Research University Infrastructure Bonds and \$1 million in private funds. The project was approved by the Joint Bond Review Committee at its meeting on January 24, 2008.

4. What is Board asked to do?

Approve Clemson University's research infrastructure project known as the Innovation Center at Clemson Research Park and approve the establishment of a permanent improvement project, H12-9883, Research Park Innovation Center Construction Phase I, for \$6 million to be funded with \$5 million in Research University Infrastructure Bonds and \$1 million in private funds.

5. What is the recommendation of the Budget Office?

Approve Clemson University's research university infrastructure project known as the Innovation Center at Clemson Research Park and approve the establishment of a permanent improvement project, H12-9883, Research Park Innovation Center Construction Phase I, for \$6 million to be funded with \$5 million in Research University Infrastructure Bonds and \$1 million in private funds.

6. List of Supporting Documents:

1. Letter to Governor
2. Centers of Economic Excellence Review Board Certification and Statement
3. Exhibit C Showing Cost and Match Components
4. Additional Annual Operating Costs

Paula Harper-Bethea
Acting Chair



The Honorable Marshall C. Sanford, Jr.
Chairman, S.C. Budget and Control Board
612 Wade Hampton Building, Box 12444
Columbia, SC 29211

November 14, 2007

RE: Certification of Research Infrastructure Project for Clemson University:
Innovation Center at Clemson Research Park

Dear Governor Sanford:

On behalf of the South Carolina Centers of Economic Excellence Review Board (Review Board), I am pleased to transmit to you certification of \$5,000,000 in general obligation debt to be issued under the South Carolina Research University Infrastructure Act for the Innovation Center at the Clemson Research Park in Anderson County, South Carolina.

The Act requires that the Review Board "certify to the state board that at least fifty percent of the cost of each research infrastructure project is being provided by private, federal, municipal, county, or other local government sources." The Act further stipulates that "[t]his portion of the cost, in the discretion of the Research Centers of Excellence Review Board, may be in the form of cash; cash equivalent; buildings including sale-lease back; gifts in kind including, but not limited to, land, roads, water, and sewer, and maintenance of infrastructure; facilities and administration costs; equipment; or furnishings."

Clemson University submitted supporting information to the Review Board concerning this request on September 16, 2005, and November 5, 2007. Subsequently, the Review Board has requested and received additional supporting materials to enable this certification. It is the Review Board's understanding that Clemson University has also provided much, if not all, of this information to the Budget and Control Board. If the State Board finds that it lacks any of this supporting information, the Review Board welcomes the opportunity to provide additional information supporting this certification.

With the stipulation that all of the universities use the services and talents of South Carolinians to the maximum extent possible in conducting such infrastructure projects, the Review Board voted to certify the request from Clemson University. Please find enclosed a Certification that summarizes the information required from the Review Board pursuant to the South Carolina Research University Infrastructure Act.

The Review Board believes that this project represents an exciting opportunity for Clemson University and the State. Please do not hesitate to contact me should you have any questions or if I can provide any additional assistance in this matter.

Sincerely,



Gail M. Morrison, Ph.D.

CHE Deputy Director, Director
of Academic Affairs & Licensing

Cc: Mr. Frank Fusco, S.C. Budget & Control Board
Ms. Carol Routh, S.C. Budget & Control Board
Mr. Charles Shawver, S.C. Budget & Control Board
Ms. Lib Croft, Joint Bond Review Committee
Mr. Rick Harmon, State Treasurer's Office

Enclosure: Innovation Center Program Certification

Paula Harper-Bethea
Chair



S.C. CENTERS OF ECONOMIC EXCELLENCE REVIEW BOARD CERTIFICATION AND STATEMENT

This Certification and Statement is made by the South Carolina Centers of Economic Excellence Review Board to the South Carolina Joint Bond Review Committee and the South Carolina State Budget & Control Board in accordance with Sections 11-51-70 and 11-51-80 of the Code of Laws of South Carolina (1976), as amended (the "Code"). This Certification and Statement concerns the proposed Research Infrastructure Project, as defined in S.C. Code Section 11-51-30(4), to be developed at the Clemson Research Park in Anderson County, South Carolina,¹ referred herein as the Innovation Center Project Phase I.

The Innovation Center Project Phase I is to consist of the following:

- **28,000 square foot mixed-use research and development facility**, known as **Innovation Center**, which will contain an equal mixture of laboratory and office space designed to house high technology startup companies. This facility will also serve as an incubator for Clemson University spin-off companies, other high technology startup companies, and as a base for early stage groups from larger companies.² The Project represents Phase I of the full construction of the 28,000 square foot facility. Phase I will construct the shell of the entire building and upfit approximately 5,000 square feet of the building to accommodate the first two tenants.³ The Phase I building would have a certificate of occupancy. The Innovation Center will specialize in areas generally related to advanced materials research, including photonic materials (specialty optical fibers), nanocomposites, fuel cell membranes, and biomaterials. **Cost: \$6,000,000** [See Exhibits D and I.]

¹ The Clemson Research Park is located on S.C. 187 approximately two miles from Interstate 85, Exit 14 (approximately eight miles from the Clemson University main campus).

² Presently two startup companies, Selah Technologies, LLC and Tetramer Technologies, LLC, are waiting to move into the Innovation Center. Active discussions are underway with Clemson University and small companies/startup companies in Ohio, New Jersey, Virginia, and Florida.

³ The remaining 23,000 square feet will be upfit as part of a future phase with the cost being provided from sources other than tuition, fees, or existing Research University Infrastructure Act general obligation debt.

**S.C. CENTERS OF ECONOMIC EXCELLENCE REVIEW BOARD
CERTIFICATION AND STATEMENT**

- **25,000 square foot research facility**, known as **SCRA Secure Building**, which will contain laboratory and office space designed to conduct secure advanced materials research. The facility will house an accredited Sensitive Compartmented Information Facility installation for the storing, processing, and discussion of sensitive compartmented information. This facility will complement research conducted at the Innovation Center with an emphasis on federal and private classified research contracts. **Cost: \$4,300,000** [See Exhibits D and I.]

TOTAL COST: \$10,300,000

The CoEE Review Board hereby certifies and states to the Joint Bond Review Committee and the Budget and Control Board the following:

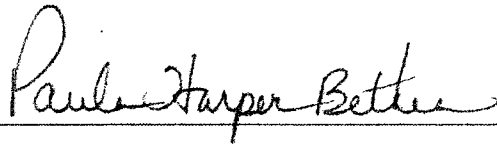
- (1) The total cost of this component of the Research Infrastructure Project is approximately \$10,300,000.
- (2) The tentative time schedule (projected construction period) during which the proceeds of the requested general obligation will be executed is as follows:

Innovation Center: June 2008 to June 2009

- (3) The Research Infrastructure Project, for which \$5,000,000 in general obligation debt is requested to be issued, is described in the September 27, 2007, Memorandum of Understanding Between Clemson University and the South Carolina Research Authority [Exhibit D] and the November 14, 2007, letter from Dr. Chris Przirembel, Clemson Vice President for Research and Development, and Paula Harper-Bethea, Chair of the Centers of Economic Excellence Review Board [Exhibit I]. The Innovation Center Project Phase I was presented to and approved by the CoEE Review Board at the September 16, 2005, CoEE Review Board meeting. The match was approved at the November 5, 2007, CoEE Review Board meeting.
- (4) Pursuant to S.C. 11-51-70, at least 50 percent of the cost of the Research Infrastructure Project is matched by private, federal, municipal, county or other local government sources. This match, totaling \$6,300,000, conforms to the S.C. Research University Infrastructure Act Cost Share Accounting Policy. [See Exhibit C for match details.]
- (5) Therefore, the provisions of S.C. 11-51-70 of the Code have been met, the source and validity of the match have been verified, and the Research Infrastructure Project, as described in the Clemson Presentation, complies with the provisions of Title 11, Chapter 51 of the Code, subject to confirmation of financing to be provided to the State Treasurer's Office.
- (6) The Board has determined that the Research Infrastructure Project as described in the Clemson Presentation conforms to the purposes and goals of the South Carolina Research University Infrastructure Act. The Board has approved the Research Infrastructure Project in accordance with the Act and the Board's implementation guidelines.

S.C. CENTERS OF ECONOMIC EXCELLENCE REVIEW BOARD
CERTIFICATION AND STATEMENT

This Certificate and Statement is made this 14th day of November, 2007, by the Board:

A handwritten signature in dark ink, reading "Paula Harper-Bethea". The signature is written in a cursive style with a horizontal line underneath it.

Paula Harper-Bethea
Chair, CoEE

Research University Infrastructure Act
Clemson University
Innovation Center at the Clemson Research Park
Match Summary Sheet

I. Project Components:

1. Innovation Center.....	\$6.0M
2. SCRA Building	\$4.3M
TOTAL PROJECT COST	\$10.3M

Pursuant to S.C. 11-51-70, at least 50 percent of the cost of each Research Infrastructure Project must be matched by private, federal, municipal, county, or other local government sources. Based on the total project cost of \$10.3 million, the match for the Innovation Center project must be *at least* \$5.15 million.

II. Cost Matching Components:

1. SC Advance contribution	\$1.0M
[See Exhibit G.]	
2. Duke Energy contribution.....	\$1.0M
[See Exhibit H.]	
3. SCRA Secure Research Building ¹	\$4.3M
[See Exhibits A & F.]	
TOTAL MATCH	\$6.3M

For the Innovation Center project, Clemson University has obtained \$1.15 million in overmatch of non-state funds (as permitted by the Research University Infrastructure Act Cost Share Accounting Policy, Item III), which at a future date may be applied to unanticipated additional project costs.

¹ The Cost Share Accounting Policy in the Research University Infrastructure Act *Guidelines* states: "The fair market value of any individual building or parcel of land may only be claimed as a match if title itself transfers to the institution. Otherwise, only the cost of the discounted rent/lease value, computed over a specifically-defined occupation of time, may be claimed" (Item VI). According to the land lease between Clemson University and the South Carolina Research Alliance [see Exhibit A], title of the SCRA Secure Research Building will transfer to Clemson University upon the conclusion of the lease.

**ADDITIONAL ANNUAL OPERATING COSTS/SAVINGS
RESULTING FROM PERMANENT IMPROVEMENT PROJECT**

1. AGENCY
Code H12 Name Clemson University
2. PROJECT
Project # 7883 Name Research Park Innovation Center Construction, Ph I
3. ADDITIONAL ANNUAL OPERATING COSTS/SAVINGS. (Check whether reporting costs or savings.)

☒ XX COSTS ☐ SAVINGS ☐ NO CHANGE

4.

TOTAL ADDITIONAL OPERATING COSTS/SAVINGS				
Projected Financing Sources				
(1)	(2)	(3)	(4)	(5)
Fiscal Y6ar	General Funds	Federal	Other	Total
1) 2010-11	\$200,000	\$	\$0.00	\$200,000
2) 2011-12	\$100,000	\$	\$110,000	\$210,000
3) 2012-13	\$0	\$	\$215,000	\$215,000

5. If "Other" sources are reported in Column 4 above, itemize and specify what the other sources are (revenues, fees, etc.).
Investment proceeds from an endowment and lease revenues.
6. Will the additional costs be absorbed into your existing budget? ☐ YES ☒ XX NO
If no, how will additional funds be provided? **Endowments and lease proceeds from tenants will be used for operating cost.**
7. Itemize below the cost factors that contribute to the total costs or savings reported above in Column 5 for the first fiscal year.

<u>COST FACTORS</u>		<u>AMOUNT</u>
1. <u>Utilities</u>		<u>100,000 per year</u>
2. <u>Maintenance</u>		<u>100,000 per year</u>
3. _____		_____
4. _____		_____
5. _____		_____
6. _____		_____
7. _____		_____
8. _____		_____
TOTAL		<u>200,000 per year initial cost</u>

8. If personal services costs or savings are reported in 7 above, please indicate the number of additional positions required or positions saved. 0

9. Submitted By:  12-16-07
Signature of Authorized Official and Title Date
John McEntire, Director Capital Projects

